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E.O. 12356: N/A  
TAGS: EPET, KALR, GO  
SUBJECT: (U) GOC TAKES CONTROL OF NEW OIL PIPELINES  
REF: 85 BOGOTA 15675 (NOTAL)

1. (LOU) SUMMARY: GOC DECREE ISSUED JANUARY 11 TAKES OPERATIONAL CONTROL OF OIL PIPELINES AND TERMINALS WHICH GO INTO OPERATION AFTER THAT DATE. THIS ACTION, WHICH IS CLEARLY AIMED AT OCCIDENTAL'S CANO LIMON-COVENAS LINE, CAUGHT THE OCCIDENTAL GENERAL MANAGER BY SURPRISE. THE DECREE MAY HAVE BEEN ISSUED TO COUNTER CRITICISM OF THE ASSOCIATION CONTRACT WITH OCCIDENTAL AND THE GOC PETROLEUM EXPORT POLICY, AND WE HOPE IT IS NOT INTENDED TO CHANGE THE RULES OF THE GAME. WE WILL NOT KNOW FOR SURE UNTIL THE OCCIDENTAL GENERAL MANAGER MEETS WITH THE MINISTER OF MINES AND ENERGY. END SUMMARY

2. (U) JANUARY 15 PRESS CARRIED REPORTS THAT THE GOC HAD ISSUED DECREE 128 ON JANUARY 11, 1986, WHICH PROVIDES THAT THE STATE PETROLEUM COMPANY, ECOPETROL, WILL BE LIMITED OFFICIAL USE

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RESPONSIBLE FOR THE OPERATION AND MAINTENANCE OF ALL OIL PIPELINES AND TERMINALS WHICH BEGIN OPERATION AFTER THE DATE OF THE DECREE. PIPELINES AND TERMINALS WHICH WERE IN OPERATION BEFORE THE DATE OF THE DECREE ARE

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UNITED STATES DEPARTMENT OF STATE  
REVIEW AUTHORITY: OSCAR J. OLSON  
DATE/CASE ID: 5 NOV 2002 200201334

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UNAFFECTED. THE DECREE ALSO PROVIDES THAT ECOPETROL MAY CONTRACT WITH NATIONAL OR FOREIGN COMPANIES FOR ADVICE AND TECHNICAL ASSISTANCE IN OPERATING NEW PIPELINES AND TERMINALS.

3. (U) SEVERAL PRESS ARTICLES, QUOTING "PETROLEUM SOURCES," SAID THE DECREE WAS ISSUED TO ASSURE ECOPETROL CONTROL OF THE CANO LIMON-RIO ZULIA-COVENA PIPELINE BEING BUILT UNDER AN ASSOCIATION CONTRACT BETWEEN ECOPETROL AND OCCIDENTAL (UNDER WHICH COSTS AND OWNERSHIP ARE SHARED 50/50, AND OCCIDENTAL WOULD BE THE OPERATOR). SEVERAL ARTICLES SPECULATED THAT THE GOC ACTION WAS TAKEN TO COUNTER RECENT PUBLIC CRITICISM OF THE ASSOCIATION CONTRACT WITH OCCIDENTAL AND OF THE GOC'S PETROLEUM EXPORT POLICY (REFTEL).

4. (LOU) OCCIDENTAL GENERAL MANAGER ED QUINONES TOLD THE ECON COUNSELOR THAT HE WAS VERY SURPRISED WHEN HE READ ABOUT THE DECREE IN THE PRESS, AND HE WAS NOT SURE WHAT IT MEANS. QUINONES SAID HE SPENT TWO HOURS ON A COMPANY AIRPLANE WITH MINES AND ENERGY MINISTER DUQUE AND THE CHAIRMAN OF ECOPETROL ON JANUARY 12 (THE DAY AFTER THE DECREE WAS SIGNED BUT BEFORE IT BECAME PUBLIC), AND NEITHER ONE GAVE EVEN A HINT ABOUT THE DECREE. QUINONES HAS ASKED FOR AN APPOINTMENT WITH MINISTER DUQUE TO FIND OUT WHAT THIS IS ALL ABOUT.

5. (LOU) TEXACO GENERAL MANAGER JOHN BUTTLE SAID HE DID NOT THINK THE TEXACO PIPELINE WOULD BE AFFECTED, GIVEN LIMITED OFFICIAL USE

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THE SPECIFIC EXEMPTION FOR OLD PIPELINES, BUT HE WAS CONCERNED THIS DECREE MIGHT PORTEND A CHANGE IN GOC POLICY TOWARD FOREIGN OIL COMPANIES. HE ADMITTED, HOWEVER, THAT HE DID NOT KNOW ANY MORE THAN HE HAD READ IN THE MORNING NEWSPAPERS.

6. (LOU) OUR CONTACTS IN ECOPETROL TELL US THAT ISSUANCE OF THE DECREE WAS A POLITICAL MOVE TO DEAL WITH THE CRITICISM REFERRED TO IN PARA 3 ABOVE. THEY SAY THAT IN FACT THE DECREE IS REALLY SUPERFLUOUS; THE PETROLEUM LAW OF 1984 CLEARLY PROVIDES THAT ECOPETROL AND OCCIDENTAL ARE CO-OWNERS OF THE PIPELINE, AND THE OPERATION OF THE PIPELINE MUST HAVE THE AGREEMENT OF BOTH PARTIES. THEREFORE, ECOPETROL ALREADY HAS EFFECTIVE CONTROL OF

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HOW THE PIPELINE WILL BE USED.

7. (LOU) COMMENT: THE GOC HAS RECEIVED A LOT OF CRITICISM RECENTLY ABOUT ITS ASSOCIATION CONTRACT WITH OCCIDENTAL, THE COST OF THE CANO LIMON-COVENAS PIPELINE, AND WHETHER COLOMBIA SHOULD BECOME A SIGNIFICANT PETROLEUM EXPORTER OR KEEP THE OIL IN THE GROUND FOR FUTURE USE (REFTEL). WE HOPE THIS DECREE IS IN FACT ONLY A POLITICAL MANEUVER TO DEAL WITH THIS CRITICISM WITHOUT SIGNIFICANTLY CHANGING THE RULES OF THE GAME. IT DOES NOT/NOT AFFECT OWNERSHIP OF THE PIPELINE (WHICH REMAINS 50/50). THE PROVISION IN THE DECREE PERMITTING CONTRACTS WITH FOREIGN COMPANIES FOR ADVICE AND TECHNICAL ASSISTANCE MIGHT ALLOW THE GOC TO CONTRACT WITH OCCIDENTAL TO OPERATE THE PIPELINE UNDER FORMAL ECOPETROL CONTROL. WE WILL HAVE TO WAIT AND SEE, HOWEVER, WHAT COMES OUT OF QUINONES' MEETING WITH MINISTER DUQUE. IF NECESSARY, OCCIDENTAL COULD ARGUE THAT ITS PIPELINE IS ALREADY IN OPERATION, SINCE THEY BEGAN PUMPING IN LATE DECEMBER, AND THE LINE IS NOW FULL UP TO RIO ZULIA. SKOL.

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